

CURRENT USE

In 1978 the legislature passed an act enabling the valuation of farm and timberland at its current use value instead of market value. The 1975 Code of Alabama defines market value and current use value as follows.

Market value - The estimated price at which the property would bring at a fair voluntary sale.

Current use value - The value of eligible taxable property based on the use being made of that property on October 1 of any taxable year; provided, that no consideration shall be taken of the prospective value such property might have if it were put to some other possible use.

The law enacted in 1978 did not prescribe a set method to determine current use value. In 1982 the legislature amended Title 40-7-25.1 of the 1975 Code of Alabama to include a definite formula for the calculation of current use values. The amended law set specific requirements for determining capitalization rates, the top three crops in Alabama, the costs of production, and the average price for pulpwood. The Department of Revenue each year attempts to gather the necessary data from the prescribed sources in order to calculate new current use values for distribution to the County Tax Assessing Officials.

Over the years the Department of Revenue has encountered various problems obtaining the necessary data to make the current use calculations. For several years a capitalization rate was unobtainable due to the Federal Land Bank of New Orleans going into receivership, then the Federal Land Bank of Jackson Mississippi went into receivership, but finally the Federal Land Bank of Dallas Texas which handles Alabama agreed to furnish the required rates. The costs of production for row crops must be obtained from the U. S. Department of Agriculture. The U. S. Department of Agriculture does not always publish the costs data in a timely manner thus causing a delay in determine the current use values of row crops and pastureland.

Many people ask the question why is there a current use value for agriculture land separate from market value? The general opinion was that a farmer should not be penalized by paying higher taxes on farm land that has a market value based on the speculative use of the property for uses other than farm land. Often times the market value of farm land in or close to a city or other developing area will have a higher market value because the highest and best use of the farm land may be for a subdivision, shopping center, industrial site or other use which brings a higher value than farm land. Current use valuation allows the valuation of the farm land to be based on the actual use of the property rather than what the use might be if the property were sold or developed.